

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOHNSON COUNTY GAS COMPANY,)
INC., VAN LEAR, KENTUCKY) CASE NO. 8235

ORDER ESTABLISHING ESCROW ACCOUNT

On November 21, 1983, Columbia Gas of Kentucky, Inc., ("Columbia") moved the Commission for an Order which would require Johnson County Gas Company, Inc., ("Johnson County") to place certain funds in a special temporary escrow account under the supervision of the Commission. These funds were to then be utilized for the purpose of reducing the existing unpaid balance on the account for gas service owed to Columbia by Johnson County.

Until November 10, 1983, Johnson County purchased gas wholesale from Columbia at a rate of \$5.725 per Mcf. However, on August 24, 1983, Johnson County submitted to the Commission a copy of an executed "Sales Agreement" entered into with Atlantic Gas Transmission Company ("Atlantic"). This agreement is now a part of the record of this case. Under the terms of this new agreement, Johnson County will annually buy at least 55,000 Mcf from Atlantic at a price of \$4.25 per Mcf, which includes all transportation charges. The agreement was expressly contingent upon the successful negotiation of transportation agreements with

the Delta Natural Gas System ("Delta") and the Columbia Gas Transmission Corporation ("Transmission"). Johnson County has now negotiated a transportation agreement with Delta, and an emergency transportation agreement with Transmission.

Under the agreement with Atlantic, Johnson County will save \$1.479 per Mcf in wholesale gas costs compared to its old rate from Columbia. Since Johnson County must purchase at least 55,000 Mcf from Atlantic, its annual savings as a result of switching suppliers will amount to approximately \$81,125. These surplus funds should properly be returned to Johnson County's customers in the form of reduced rates. The Commission will, accordingly, exercise its authority under KRS 278.180 and 278.270 and enter upon an investigation as to whether Johnson County's retail rates should now be reduced.

A show cause hearing is, accordingly, scheduled for January 26, 1984, at 10:00 A.M., E.S.T., in the Commission's offices in Frankfort, Kentucky. In the meantime, Johnson County should be required to account for the additional revenue they will be accumulating until the Commission can issue its final Order in the show cause proceeding. The Commission will, therefore, order the establishment of a temporary escrow account to remain in effect during this period.

Based upon the above-stated findings and being advised, the Commission HEREBY ORDERS that Johnson County Gas Company, Inc., shall appear at the Commission's offices in Frankfort, Kentucky, on January 26, 1984, at 10:00 A.M., E.S.T., to show cause, if any

if can, why its retail rates should not be reduced to reflect the reduction in its current wholesale gas price.

The Commission FURTHER ORDERS that Johnson County Gas Company, Inc., shall, immediately upon receipt of this Order, establish a separate escrow fund into which will be deposited the \$1.479 per Mcf difference in wholesale gas costs as Johnson County collects its rates from its customers beginning with December, 1983, billings. The disposition of the funds in this escrow account will be a matter for the Commission to determine in its final Order after the show cause proceeding.

The Commission FURTHER ORDERS that Johnson County shall file monthly reports with the Commission verifying the Mcf purchases from Atlantic, the dollar amounts placed in the escrow account and formal verification or documentation of these amounts.

Done at Frankfort, Kentucky, this 5th day of December, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary